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In the Supreme Court of the United States

OCTOBER TERM, 1947

No. 576

STANDARD OIL COMPANY (NEW JERSEY), STANDARD OIL DEVELOPMENT COMPANY, STANDARD CATALYTIC COMPANY, AND JASCO, INCORPORATED, PETITIONERS

v.

TOM C. CLARK, ATTORNEY GENERAL, AS SUCCESSOR TO THE ALIEN PROPERTY CUSTODIAN

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT

BRIEF FOR THE RESPONDENT IN OPPOSITION

OPINIONS BELOW

The principal opinion of the District Court for the Southern District of New York (I 36–69)[1] is reported at 64 F. Supp. 656. During the course

[1] The references are to volume number (Roman numerals) and page number (Arabic numerals) of the printed Joint Appendix filed with this Court. We shall refer to exhibits by exhibit number, using the prefix "P" or "D" to indicate whether they were Plaintiffs' or Defendant's exhibits. We shall refer to unprinted portions of the Stenographers' Minutes, filed with this Court, as "S. M." followed by a page number.

of the trial the district court rendered two intermediate opinions (I 28–35) which are reported at 61 F. Supp. 813. The opinions of the Circuit Court of Appeals (IV 1695–1732) are reported at 163 F. 2d 917.

JURISDICTION

The decision of the Circuit Court of Appeals was rendered September 22, 1947 (IV 1733). Petitions for rehearing were filed by both sides (IV 1784, 1741). The order of the Circuit Court of Appeals denying the plantiffs' petition for rehearing and granting the defendant's in part was entered November 7, 1947 (IV 1747). The petition for writ of certiorari was filed February 6, 1948. The jurisdiction of this Court is invoked under the provisions of Section 240 (a) of the Judicial Code, as amended by the Act of February 13, 1925.

QUESTIONS PRESENTED

1. Whether the court below misconceived the purpose and effect of certain provisions of an antitrust consent decree to which the petitioners and the Custodian were parties.

2. Whether, in the circumstances of this case, the court below erred (a) in denying the relief sought by the petitioners in respect of the so-called Jersey-originated Jasco patents, and (b) in failing to direct the return to petitioner S. I. G. of formal title to or an "exclusive license" under the S. I. G. patents.

STATUTE INVOLVED

The relevant portions of Section 9 (a) of the Trading with the Enemy Act, 40 Stat. 411, as amended, 50 U. S. C. App. 9 (a), are set out below.[2]

STATEMENT

The petitioners, plaintiffs below, are the Standard Oil Co. (N. J.) and three of its wholly or partly owned subsidiaries, Standard Oil Development Co., Inc., Standard I. G. Co., Inc. (renamed Standard Catalytic Co. at the beginning of World War II), and Jasco, Inc. We shall refer to them respectively as Standard, Development, S. I. G. and Jasco, and to the Standard Oil interests collectively as Jersey. All of the petitioners are corporations incorporated in the United States. They brought suit under Section 9 (a) of the Trading with the Enemy Act for the return of the entire ownership of two groups of patents—known as the S. I. G. patents and the Jasco

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[2] Section 9 (a), so far as relevant, provides as follows:

"That any person not an enemy or ally of enemy claiming any interest, right, or title in any money or other property which may have been conveyed, transferred, assigned, delivered, or paid to the Alien Property Custodian or seized by him hereunder and held by him * * * may institute a suit in equity * * * in the district court of the United States * * * to establish the interest, right, title, * * * so claimed, and if so established the court shall order the payment, conveyance, transfer, assignment, or delivery to said claimant of the money or other property so held by the Alien Property Custodian * * * or the interest therein to which the court shall determine said claimant is entitled."

patents—and for certain shares of stock in S. I. G., Jasco, and a third corporation known as USAC. These properties had been vested by the Alien Property Custodian[3] as the property of I. G. Farbenindustrie, A. G. (herein called I. G.), a German corporation and an admitted enemy within the meaning of the Trading with the Enemy Act.

The Facts.—The case arises out of the interrelations between Jersey and I. G. from 1926 until 1942. In the fall of 1929, Jersey and I. G. organized S. I. G., Jersey taking 800 of its shares and I. G. 200 (Fdg. 13, I 78). The parties then concluded a Four Party Agreement (P–15, III 834) by which S. I. G. acquired certain rights in I. G.'s present and future patents relating to the production of gasoline and other petroleum products—notably the patents for synthesis of gasoline from coal by the so-called hydrogenation process. By the terms of the Agreement, I. G. purported to assign to S. I. G. its present and future patents (referred to as the Class A patents) which related wholly or principally to the hydrocarbon field (i. e., the oil industry). It also purported to grant to S. I. G. an exclusive license and right

[3] The Attorney General has by Executive Order No. 9788, 11 F. R. 11981, succeeded to the functions of the Alien Property Custodian and was accordingly substituted in the court below (I 263). We shall use the term "Custodian" interchangeably to refer to the Alien Property Custodian and the Attorney General as Successor to the Alien Property Custodian.

to license others within the hydrocarbon field under other patents (referred to as the Class B patents) useful in that field, but also useful to a substantial degree outside it. In each class I. G. reserved to itself all rights outside the hydrocarbon field (III 838). By other provisions of the Agreement (Arts. IV and V, III 840–44), S. I. G. obligated itself not to engage in any business save that of granting licenses under these patents and undertook to adhere to certain prescribed licensing policies. It agreed to transmit approximately 20% of the royalties received from such licensing to I. G. and the remainder (after certain deductions) to Jersey. It further undertook not to transfer the patents, except to a transferee which would assume the same obligations.

By a contemporaneous agreement (P–16, III 852) Jersey agreed that it would not compete with I. G. in the chemical industry, I. G. agreed that it would not compete with Jersey in the oil and natural gas industries, and the parties undertook to cooperate on new developments in the borderline between those two fields. They further agreed (P–18, III 855) that in proceeding under these agreements they would "take care of any future eventualities in a spirit of mutual helpfulness", and particularly that if "the beneficial interest of either party" should "be alienated to a substantial degree by operation of law or governmental authority", they would "endeavor to

adapt their relations to the changed conditions which have so arisen." As part consideration for these agreements Jersey paid I. G. stock valued at over $35,000,000 (Fdgs. 14, 15, I 78–9; IV 1712).

Jasco, Inc. was created by the parties in September 1930, I. G. and Development each taking one-half of its stock. By the Jasco Agreement they defined the Jasco field (relating to chemical products using crude petroleum, natural bitumen or natural gas as a starting material) and bound the parties to negotiate in good faith with respect to the participation of each in any new process developed by either within that field (Conc. 15, I 99–100). By subsequent agreement in 1933 Jasco acquired certain rights in a process known as Oppanol, invented by I. G. (III 890). Although Jasco did some developmental work on three other I. G. processes, it had acquired no rights in them prior to the outbreak of World War II (Conc. 18, I 106–7).

In 1938 Jersey, I. G., and certain others agreed to form a corporation known as USAC, to develop a certain process for the synthetic production of gasoline. 850 shares of that corporation were issued in the name of S. I. G., but the parties agreed that Development would be the beneficial owner of 680 of those shares and I. G. of 170. (Fdgs. 40–44, I 107–109).

On September 1, 1939, the German armies invaded Poland. Two days earlier, the parties commenced what purported to be an extensive

"readjustment" of their arrangements, designed, as Mr. Frank Howard (President of Development, a director of S. I. G. and Jasco, and the principal representative of Jersey in all these transactions) contemporaneously reported to the President of Standard, as "a modus vivendi which would operate through the term of the war, whether or not the U. S. came in" (P–66, III 938). These transactions were avowedly intended to prevent seizure by an "Alien Property Custodian who might sell * * * to an unfriendly interest" (D–392, IV 1382). Jersey and I. G. drew up agreements and interchanged cables and letters by which I. G. purported to sell to Jersey the 200 shares of S. I. G. stock, the 180 shares of USAC stock, and the 5 shares of Jasco stock which I. G. then owned.[4] I. G. also purported to relinquish for the United States, the British Empire, the French Empire, and Iraq[5] all rights to I. G.'s patents in the Jasco field, in most of which Jersey had as yet acquired no rights of any kind. I. G. also executed formal assignments to S. I. G. of all patents under which S. I. G. had acquired licensing rights by the Four Party Agreement.

[4] The Jasco shares were first, with Jersey's concurrence, "sold" to Walter Duisberg, a son of one of the founders of I. G. and one of its American representatives (P–85, III 993; D–392, IV 1383). Subsequently this transaction was remade as a sale to Development (Fdgs. 57 (a), 61 (d), I 118–19, 133–4) and still later as a "sale" to trustees for Development (Fdgs. 67–70, I 137–139).

[5] Iraq was later excluded when the parties discovered that it was not at war with Germany (Fdg. 59 (1), I 128).

During the months preceding March 1942, the Antitrust Division of the Department of Justice was conducting extensive investigations of the Jersey-I. G. relationships with a view to determining whether those relationships resulted in a violation of the antitrust laws. Negotiations looking toward a consent decree were in progress (IV 1717). On March 11, 1942, the Office of Alien Property Custodian was created (Executive Order No. 9095, 7 F. R. 1971). Two weeks thereafter, on March 25, 1942, the Custodian issued Vesting Order No. 1 (7 F. R. 2417) vesting in himself all right, title and interest of I. G. Farbenindustrie in the properties in suit. A few hours later an antitrust consent decree was entered in the District Court for the District of New Jersey, naming the present petitioners and certain others as defendants. The Alien Property Custodian also signed the decree (Fdgs. 83–87, I 146–9). The decree, *inter alia,* enjoined the further performance of all agreements between Jersey and I. G. (with exceptions not here material). It is undisputed that the Custodian's participation in the decree as successor to I. G. had the primary purpose of providing a defense for Jersey against a possible later suit by I. G. for nonperformance of the agreements (IV 1718; see Petition, p. 16).

In addition to enjoining the continued performance of the agreements between Jersey and I. G., the decree (P–98, III 1000) directed the

present petitioners to transfer all their patent rights in the hydrocarbon field to S. I. G. and in the Jasco field to Jasco, and it directed those corporations to license the patents royalty free for the duration of the war emergency,* and at reasonable royalties thereafter (Art. IV (2)–(5), III 1011–3). It also provided that the decree should leave unaffected the property rights of the petitioners and the Custodian (Arts. VII, XII, III 1022, 1024).

Holdings of the courts below.—On the foregoing facts the courts below have made the following holdings. The district court found that with the exception of I. G.'s sale of its 200 shares of S. I. G.'s stock, none of the transactions which the parties purportedly made after the German invasion of Poland was intended as a genuine transaction and that all of the properties purportedly transferred to the petitioners by those transactions were intended to be held by them for I. G.'s benefit and subject to an unwritten and undisclosed agreement to return them to I. G. after the end of the war (Fdg. 61, Conc. 25, I 132–134, 135–136). The Circuit Court of Appeals has affirmed as "supported by fully adequate evidence" (IV 1701) and "quite just" (IV 1704) the findings that these were "sham transactions designed to create an appearance of Jersey ownership of property interests which neverthe-

* It was subsequently agreed by stipulation that the period of royalty-free licensing would cease on March 2, 1946.

less continued to be regarded by the parties as I. G. owned" (IV 1701). It has also rejected the petitioners' contentions that all of these properties were adjudicated to be theirs by the antitrust consent decree (IV 1710–11, 1714–19, 1720). Accordingly, it has denied all recovery with respect to the Jasco patents (other than certain rights in Oppanol), the 5 shares of Jasco stock, and 170 shares of USAC stock. The petitioners had also requested the court to transfer out of Jasco to others of the petitioners certain Jersey owned patents in the Jasco field in which I. G. had acquired no rights, asserting that the direction of the consent decree that they be placed in Jasco was based on the assumption that Jasco was wholly owned by Standard, which assumption this litigation has established to be incorrect. The district court denied this request for want of jurisdiction (I 225–6); the Circuit Court of Appeals denied it on the merits, holding that the petitioners should not be relieved of the consequences of their own affirmative misrepresentations made to the consent decree court as "part of their scheme to deceive their government" (IV 1722–23).

In the S. I. G. field, both courts held that the petitioners had validly acquired the S. I. G. shares (IV 1708). The district court held that S. I. G. had by the Four Party Agreement acquired title to the Class A patents and an ex-

clusive license and right to license the Class B patents, subject in each case to I. G.'s exclusive rights outside the hydrocarbon field and to its royalty rights within that field (Concs. 4–6, I 87–8). It further held that all of the Custodian's rights in the Class A patents and his royalty rights in the Class B patents were cut off by the consent decree (I 60–1). It rejected the Government's contention that the rights acquired by the petitioners in respect of both classes of patents were merely contractual and could not be enforced or recognized in this suit because of the fundamental illegality under the antitrust laws of the agreements on which they were based (I 66).

The Circuit Court of Appeals modified this disposition of the S. I. G. patents. It held that the consent decree should not be construed as cutting off any of the rights which the Custodian had vested from I. G. (IV 1714–16). Since both parties had rights in each class of patents, it did not attempt to determine the location of formal title to those patents but rather directed the return to the petitioners of the substantive rights which the court concluded they had acquired under the agreements with I. G. (IV 1713–14). Accordingly, it directed the return to the petitioners of a right to license and control the licensing of all the S. I. G. patents within the hydrocarbon field and to retain the royalties from such licens-

ing, other than those which they were by agreement obligated to pay to the Custodian (IV 1718).[7]

The Government had also asserted the comprehensive defenses that the petitioners should be denied all recovery on the grounds that they were guilty of unclean hands by reason of the many instances of sham and deception and the violations of both the antitrust laws and the Trading with the Enemy Act which the record discloses, and that they were "foreign nationals" within the meaning of Section 5 (b) of the Trading with the Enemy Act by reason of action on behalf of and for the benefit of I. G., a national of an enemy country. These defenses were rejected by both courts below (IV 1704–8).

ARGUMENT

As the court below said, "The most crucial issues in the case * * * turned upon findings as to the intentions and acts of the parties" (IV 1701). Nevertheless, the petitioners have presented no question and specified no error as to the underlying holdings of both courts below that substantially all the transactions in which the petitioners and I. G. purported to engage after

[7] The court also directed the return of a bare right to license at the Custodian's direction and for his account under all the patents in suit (IV 1718). This licensing agency should not be confused with the substantive rights to license and retain royalties in which the petitioners have been awarded within the hydrocarbon and Oppanol fields.

the outbreak of World War II were "sham transactions designed to create an appearance of Jersey ownership of property interests which nevertheless continued to be regarded by the parties as I. G. owned" (IV 1701). Their petition refers only obliquely to the major factual issues in the case, issues which were resolved against them by both courts below. It is limited to a far narrower range of issues, concerning only a relatively small part of the properties and interests in suit, and which, in the setting of the litigation as a whole, are relatively unimportant. We believe that a brief analysis of the limited issues raised in the petition will sufficiently demonstrate that it presents no questions calling for review by this Court.

1. *The Jasco Shares.*—Despite the considered holdings of both courts below, based upon searching analysis of volumirous testimony and documentary evidence, that the petitioners never acquired from I. G. the five Jasco shares originally issued to it, the petitioners assert that the ownership of the Jasco shares has been conclusively determined to be in them by the antitrust consent decree of March 25, 1942. They assert as a ground for allowance of the writ that the court below, by failing to hold this, departed from the doctrine that an antitrust consent decree is no less binding than an adjudicated decree and denied adjudicative force to the decree here involved (Petition, p. 10). In their supporting brief, however, (Petition, pp. 17, 19), they admit that the court fully

recognized that a consent decree is *res judicata* to the same extent as any other decree, and it is clear from the court's opinion that it in no way questioned the general principles of law which the petitioners here assert (see IV 1714, 1715). The petitioners appear unduly apprehensive in suggesting that the decision "will throw in doubt the finality of existing consent decrees and discourage future negotiation of such decrees" (Petition, p. 10). The issue is merely whether the court below misconceived the purpose and effect of certain provisions of this particular consent decree.

We believe that the decision below is clearly correct. The provision of the decree which is asserted as a definitive adjudication of the ownership of the Jasco shares is found under the heading "Definitions." It reads:

> "Jasco" means Jasco Incorporated, a corporation organized and existing under the laws of the State of Louisiana and having its principal office and place of business at Baton Rouge, Louisiana, all the capital stock of which is now owned by Development, which controls the corporation.

We think the court below properly regarded this sentence as "obviously intended only as part of an identifying label" (IV 1710). Appearing in a preliminary portion of a lengthy decree, it does not purport to adjudicate the ownership of the shares. There was no occasion, in a proceeding

aimed at preventing further violations of the antitrust laws, to undertake a determination of the respective rights of the Custodian and the petitioners in any of the property covered by the vesting order. And indeed, as the court below pointed out (IV 1715–16), the adjudicative portions of the decree specifically negate any intention to make such a determination. Article VII of the decree (III 1022) provides that "nothing contained in this decree shall affect or diminish any right, title or interest of [the petitioners] * * * in or to * * * any * * * shares of corporate stock"—a clear declaration that the decree should not be construed as affecting the petitioners' ownership of shares by conferring on them the ownership of any shares of stock which they did not in fact then own. And by Article XII (III 1024) the Custodian made a parallel reservation of the rights acquired by his vesting order.

The petitioners' alternative suggestion, that the description of Jasco as wholly owned by Development was part of a "formal compromise adopted by all the parties" (Petition, p. 19) by which the Custodian abandoned all claim to these shares, is no less difficult of credence. They have suggested no reason why the Custodian should have been willing to present them, "as virtually a reward for their wrongdoing" (IV 1717), with a gift of valuable property rights belonging to an enemy. Nor can it be supposed that the Cus-

todian had deliberately but mistakenly concluded that there was no basis for asserting I. G.'s former ownership of the shares, for the Custodian's office had been created only two weeks before the decree was entered. He and his advisers had clearly had no opportunity to attempt to unravel the tangled skein of transactions with which the ownership of the Jasco shares had been beclouded (cf. IV 1717).

2. *The Jersey-Originated Jasco Patents.*—In their efforts to obtain review of the holding below dismissing on grounds of unclean hands their prayers for relief in respect of the Jersey-originated Jasco patents, the petitioners make a number of extraordinary contentions. They assert that the court's holding that they were guilty of fraudulent misrepresentation is without evidentiary support, and make the astonishing statement that the court's "assumption" that "the transfer of I. G.'s Jasco stock pursuant to the Hague Memorandum was fictitious" is "unsupported by a grain of evidence" (Petition, p. 24). This assertion, we think, exposes the character of their argument. Although they have not presented any question or specified any error as to the affirmance by the court below of the district court's basic findings that the transactions occurring after September 1, 1939, including the purported transfer of the Jasco shares, were sham and designed to prevent seizure of property owned by I. G., they ask this Court, in effect, to disregard

those findings completely.[8] If those findings are accepted, as they must be, it is clear that the court below was almost compelled to reach the further conclusion that the repetition to the consent-decree court of the petitioners' fraudulent misrepresentations as to the ownership of the Jasco shares was a part of the same conspiracy to defraud the United States of its rights to seize enemy property.[9]

The petitioners further assert that, in finding that they were guilty of fraudulent misrepresentation, the court below made "a wholly new finding on a matter not pleaded, litigated or determined in the trial court" (Petition, p. 10). The record flatly contradicts this statement. It discloses that while the district court made no de-

[8] Elsewhere the petitioners repeat this tactic. Thus in stating the case (Petition, pp. 3–4) they set forth the sham transactions as if they had been genuinely made for bona fide reasons; they repeatedly seek to discredit the findings of sham as based on "a series of inferences" (Petition, pp. 6, 20); and in "assuming *arguendo*" the correctness of those findings, they assert that "Jersey vigorously denies" their correctness (Petition, p. 26).

[9] In colloquies with counsel the district court suggested that the agents of the petitioners who negotiated the consent decree were personally innocent of the fraud (S. M. 1162–63, not printed). This is irrelevant. As the court below said, "It is the principals who are involved and whose wrongdoing concerns us" (IV 1723). Similarly, the court below was right in holding that that wrongdoing was not purged either by the entry of a consent decree which repeated the same misrepresentations or by the issuance of a vesting order whose effectiveness the petitioners sought by their misrepresentations to defeat.

termination on the merits because of its decision as to want of jurisdiction, the issue of the petitioners' unclean hands in respect of these patents was fully litigated, and indeed the petitioners themselves in effect so admit in their supporting brief (Petition, p. 26). The petitioners' contentions as to the Jersey-originated Jasco patents were first raised in the district court by certain provisions of the decree and supplemental findings and conclusions which they submitted for adoption by the court after its opinion, findings and conclusions on the main case had been filed. (See I 163; S. M. 1106–7, not printed).[10] Both parties filed memoranda and answering memoranda on the issues presented (I 164) and the matter was argued extensively before the district court on the merits as well as the jurisdiction (S. M. 1106–1123, 1160–1174, not printed). The Government, in its brief and argument in the district court, asserted repeatedly and unequivocally that the relief sought should be denied for want of equity because the petitioners' "predicament is the result of the sham transactions that they themselves entered into and which they concealed in connection with the consent decree" (S. M. 1160–61, not printed).

[10] The petitioners' repeated reference to the fact that the issue of unclean hands was first raised "after the decision" (Petition, pp. 26, 28) is highly misleading. The whole issue as to the Jersey-originated Jasco patents was first raised after the decision on the main case, and the defense of unclean hands was urged by the Government as soon as that issue was raised.

The issue of unclean hands was thus fully litigated in the district court. The petitioners' further suggestion that they have been denied an opportunity to present evidence on that issue (Petition, pp. 9, 27–31) is equally without substance. The suggestion comes for the first time in this Court. Although the issue of fraudulent misrepresentation was raised by the Government as soon as it was informed of the petitioners' request for relief in respect of these patents, and was fully argued when that request came on for hearing, the petitioners at no time made any suggestion to the district court that they would like to reopen the case for introduction of further evidence on the issue of misrepresentation. Nor did they make any suggestion to the Circuit Court of Appeals, in their reply to the Government's brief, on oral argument, or in the petition for rehearing which they filed with that court (IV 1734), that the cause should be remanded for the introduction of further evidence bearing on the issue of misrepresentation in the consent decree proceedings.

The petitioners further contend that even though fraudulent misrepresentations were made, they should not bar the relief requested (Petition, pp. 24–26). They assert that the court's holding on this issue raises the general question whether relief may be denied in a suit under Section 9 (a) of the Trading with the Enemy Act on equitable grounds (Petition, pp. 9, 11). We be-

lieve that this question does arise in connection with aspects of the case not referred to by the petitioners. (See our Conditional Cross-Petition, pp. 7–11.) And, indeed, the court below has decided that, in general, equitable disqualifications of the plaintiffs are not a ground for the denial of recovery (IV 1707–8). In view of that decision, the court's disposition of the Jersey-originated Jasco patents is not an adjudication of the broad equitable issue which the petitioners assert is involved. On the contrary, it is necessarily confined in its effect to the peculiar circumstances relating to these patents—circumstances arising out of the interrelationship between the particular provisions of one consent decree and the facts as found by the courts below, and resulting from the calculated risk which the petitioners themselves assumed in adhering before the consent decree court to their "scheme to deceive their government." As the court below pointed out, "This is not a case of affirmative penalties visited upon them for their acts; rather it is leaving them in the situation which they themselves created" (IV 1723). So far as we are aware, the circumstances are unique and have no parallel in any case which is now pending or can be anticipated. Hence, the holding on this issue presents no question of general importance which warrants further review by this Court.[11]

[11] The petitioners also suggest (Petition, pp. 6, 8, 23) that the decision below conflicts with the provision of Article VI

3. *The S. I. G. patents.*—As to the S. I. G. patents, the petitioners make two contentions. The first relates to the court's decision that the Custodian is entitled to a share of the royalties collected by the petitioners from the licensing of these patents within the hydrocarbon field. There is no dispute that I. G. was entitled to these royalties and that I. G.'s right to them was vested by the Custodian, but the petitioners' contention is that in signing the antitrust consent decree the Custodian surrendered the royalty rights. Again the issue is solely one of the construction and effect of the particular consent decree involved, and has no importance beyond the facts of this case. The decree contains no provision explicitly cutting off the Custodian's royalty rights; indeed the provision which is most nearly explicit on the subject is one which enjoins accounting to I. G. (Art. V (3), III 1020) and thus inferentially leaves unimpaired the duty to account to the Custodian. Hence, the court's decision necessarily turned upon an examination of the intent and purposes of the decree taken as a whole. We think that upon such an examination

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of the consent decree that nothing contained therein shall affect any right, title or interest of "the defendants" in any patents. It is clear that this provision does not relate to the transfers among the antitrust defendants (of whom Jasco was one) required by the decree, for Article IV (3) (III 1012) explicitly requires the antitrust defendants to "transfer to Jasco *all* their right to, title to, *power and interest in*" the patents in question. [Italics added.]

the court was clearly warranted in concluding that "it is not a permissible inference * * * that the Government intended to donate to [the petitioners] a very valuable group of licensing and royalty rights as virtually a reward for their wrongdoing" (IV 1717).[12]

The second question which the petitioners raise relates to the failure of the court below in terms to direct the return to S. I. G. of either formal legal title to or an "exclusive license" under the S. I. G. patents. We believe that the decision of the court below awards S. I. G. the fullest measure of rights which it could have acquired under the Four Party Agreement. Although I. G. purported in terms in that Agreement to "assign" to S. I. G. the Class A patents and to grant an "exclusive license" under the Class B patents, the rights actually acquired by S. I. G. were far less extensive. As we have pointed out (p. 5[illegible], *supra*), S. I. G. was disabled from making, using or selling the inventions; its sole

[12] The petitioners assert that this holding results in gross unfairness to them in that I. G.'s continuing obligations under the Four Party Agreement are terminated while their royalty obligations remain. Examination of the Four Party Agreement (P–15, III 834) and the consent decree (P–98, III 1000) will show that there were many continuing obligations of both parties which were cut off by the decree. On the other hand, the royalty obligations which have been preserved may properly be regarded, as the petitioners themselves appear to regard them (Petition, p. 3), as part of the consideration for the patent rights which they acquired in 1929 and which they have been allowed to keep by the decision below.

powers were to license the patents in accordance with certain prescribed policies and to transmit to I. G. and Jersey, respectively, the royalties from such licensing. This Court has repeatedly held that the essence of the patent grant is the right to make, use and vend the patented invention, and that ownership of a patent is not transferred unless those rights are transferred. *Waterman* v. *Mackenzie,* 138 U. S. 252, 255, and cases cited. See also *United States* v. *General Electric Company,* 272 U. S. 476, 489–90. It is equally well settled that the terms used by the parties in describing a transfer of patent rights do not control its legal effect, but that that effect must be determined by looking at the transaction as a whole. *Waterman* v. *Mackenzie, supra*; *Dougherty Research Company* v. *Vickers Petroleum Company,* 80 F. 2d 809 (C. C. A. 10), certiorari denied, 299 U. S. 545; *Krentler-Arnold Hinge Last Company* v. *Leman,* 13 F. 2d 796, 802–3 (C. C. A. 1). Applying these principles, the Circuit Court of Appeals for the Ninth Circuit has held that a purported patent "assignment" almost identical with that made by the Four Party Agreement conveyed in fact only a "license to license." *Six Wheel Corp.* v. *Sterling Motor Truck Company,* 50 F. 2d 568. So far as we are aware, this is the only other decision of any court involving facts which are at all comparable to those here presented.[13]

[13] The petitioners' assertions of conflict (Petition, pp. 34–5) are with cases involving situations which are only very re-

We believe that the foregoing considerations fully support the result reached by the court below in denying the return to S. I. G. of title to or an "exclusive license" under the S. I. G. patents,[14] and that that result presents no conflict of decisions, and does not warrant further review. The majority of the court below did not, it is true, rest its decision on the grounds just stated. As we read its opinion (IV 1713–14), it held rather that, both parties being entitled to certain substantive rights in the patents involved, it was not necessary to attempt to determine the location of formal title as between them, but that it was sufficient to direct the return to S. I. G. of the substantive rights which it had acquired in the Four Party Agreement. We believe that the court was wholly warranted in doing so. Indeed the issue presented by the petitioners would appear to be of minimal practical significance. They do not deny that they have received all the substantive rights conferred on them by the Four Party Agreement—namely, the exclusive right to control the licensing of the S. I. G. patents within the hydrocarbon field (subject now to the requirements of

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motely, if at all, related to that here presented. None involved an express denial to the transferee of the right to make, use and vend the patented inventions, and none involved the cumulative force of a multiplicity of substantial restrictions on the transferee's rights comparable to those imposed by the Four Party Agreement.

[14] In our Conditional Cross Petition we shall contend that the court below erred in so far as it awarded the petitioners any rights in the S. I. G. patents.

the consent decree) and the right to retain the major part of the royalties from such licensing. The issue they raise relates only to fears which they entertain as to their formal capacity to bring suit for infringement of those rights. In view of the decisions of this Court as to the procedural ability of one holding exclusive rights in patents to redress any violation of those rights, see *Independent Wireless Company* v. *Radio Corporation,* 269 U. S. 459, their fears may well prove groundless. If they do not, that will be merely a consequence of the limited character of the rights which the petitioners agreed to acquire from I. G. in 1929.

CONCLUSION

The questions presented by the petitioners were correctly decided below and do not call for review by this court. No conflict with the decision of any other court is involved. The petition should be denied.

Respectfully submitted,

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